

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 07/24/06		Item Number: <u>A-6</u>	
AGENDA ITEM: Authorization of a Professional Services Contract with Jefferson Wells International for Transient Occupancy Tax Audit Services.			
Contact Person/Dept.: Nagam Rao/City Treasurer's Office		Phone Number: (310) 253-5889	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Public Notification: Notification given to all firms submitting audit proposals; Master Notification List (07/19/06)			
Department Approval: Crystal Alexander (07/17/06)		City Manager Approval: Martin R. Cole for Jerry B. Fulwood (07/19/06)	
City Controller Approval: Marlee Chang (07/19/06)			

RECOMMENDATION:

Staff recommends the City Council authorize a professional services contract with Jefferson Wells International for Transient Occupancy Tax Audit Services.

BACKGROUND:

The last transient occupancy tax audit was completed in April, 2003 by the firm Jefferson Wells International. Their audit included all hotels in Culver City. In its findings, Jefferson Wells International noted that it appeared that most of the hotels had improved their record keeping procedures and were doing a better job at substantiating their TOT remittances.

As it has been three years, it was appropriate and timely to request proposals from several firms to complete TOT audits for all hotels and motels in the City for the years 2003, 2004, 2005 and 2006. However, audit work for 2006 cannot commence until the final TOT monthly remittance for 2006 is received at the end of January 2007.

DISCUSSION:

Ten (10) firms were contacted, including an accounting firm in Culver City and accounting firms recommended by members of the California Society of Municipal Finance Officers. The following were the responses:

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City Council Agenda Item Report

FIRM

**FEE PROPOSALS FOR AUDITING FOUR
YEARS OF RECORDS**

Caporicci, Cropper & Larsen LLP	Did not respond
Conrad & Associates	Did not respond
Cy Pierce, An Accounting Corp.	Did not respond
Diehl Evans & Co. LLP	Did not respond
DMG_ Maximus	Did not respond
Governmental Financial Services	Did not respond
Jefferson Wells International	\$21,940, not to exceed
Lasker, Kim & Co.	Did not respond
Lance, Soll & Lunghard LLP	Did not respond
Moreland & Associates, Inc.	Did not respond

It has become increasingly more difficult to obtain professional services from Accounting firms in the last few years. All firms that were contacted deferred to submit a proposal due to overwhelming work loads and staffing shortages. As a result, Jefferson Wells International was the only affirmative bidder. Given the successful partnership between the City and Jefferson Wells International, it is our recommendation that the award be granted to this sole source.

FISCAL ANALYSIS:

Historically, when analyzing outside services for tax auditing, the CTO has been successful in contracting with firms that bring in much more revenue than they charge for audit and related services. In fiscal years 2000-2001 and 2001-2002, the CTO spent \$437,708 on all tax audit services which resulted in additional revenues to the City and the CCRDA of \$2,534,159. Specifically for transient occupancy tax audit services, the City spent \$9,500 and received over \$66,000 in additional revenue.

There are sufficient funds included in the Fiscal Year 2006/2007 Budget for this contract.

ATTACHMENTS:

1. Request for Proposal

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City Council Agenda Item Report

MOTION:

That the City Council:

- 1) Authorize a professional transient occupancy tax auditing services contract with Jefferson Wells International to audit transient occupancy tax returns for calendar years 2003, 2004, 2005 and 2006 for a total fee not to exceed \$21,940; and
- 2) Authorize the City Attorney to prepare the appropriate agreement to be entered into with Jefferson Wells International and authorize the City Manager to sign it.